

**CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

Lake Charles, Louisiana

BOARD OF COMMISSIONERS

June 30, 2012

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Larry Avery	Vice President
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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

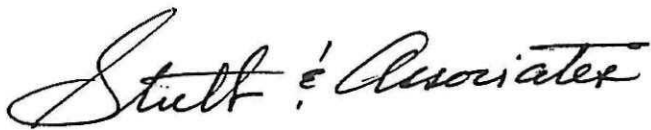
We have audited the accompanying financial statements of the governmental activities, major funds, and the remaining fund information of Chennault International Airport Authority as of and for the year then ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and remaining fund information of Chennault International Airport Authority as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Stulb & Associates". The signature is written in dark ink and is positioned above the date.

November 20, 2012

Management's Discussion and Analysis

The management of the Chennault International Airport Authority offers readers of the Chennault International Airport's financial statements this narrative overview and analysis of the financial activities for the Authority for the fiscal year ended June 30, 2012.

Financial Highlights

- Chennault International Airport Authority continued its infrastructure growth and expansion during this reporting period. The Authority added \$6,464,908 of capital expenditures during the fiscal year to enhance facilities and to support existing tenants: Northrop Grumman Aerospace, Aeorframe Services, LLC, Million Air and Louisiana Millwork.
- The Authority entered into a Cooperative Endeavor Agreement with the State of Louisiana dated December 19, 2010. The Authority requested assistance from the State of Louisiana in funding the Multi-Purpose Building, Planning and Construction at the airport through the Capital Outlay Program in the amount of \$225,000.
- The Authority entered into grant agreements with the Federal Aviation Administration (FAA) in the amount of \$283,452 and with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$14,918 with the funds from the grants to be used to Rehabilitate Runway 15/33, Design-Phase I, and Conduct Wildlife Hazard Assessment. For the fiscal year ended June 30, 2012 the Authority reported revenue from the FAA grant of \$83,029 and from the DOTD grant of \$4,198. The Authority also received four additional grants from DOTD for the Geo Technical Study, Airport Layout Plan, SCBA equipment and Emergency Vehicle Access Road in the amount of \$185,004.
- The Authority entered into a Cooperative Endeavor Agreement with the State of Louisiana, Division of Administration, Office of Community Development for the Community Development Block Grant Program in the amount of \$14,000,000, for the New Hangar, Planning and Construction. Other funding for the hangar project is a Cooperative Endeavor Agreement with Facility Planning & Control - Capital Outlay in the amount of \$3,100,000, DOTD grant of \$400,000 pending and Chennault International Airport Authority funds of \$4,000,000 for a total project budget of \$21,500,000. The New Hangar named Hangar H will serve as a multiuse hangar for current tenants.

Financial Analysis

The assets of the Chennault International Airport Authority exceeded its liabilities at the close of the fiscal year ended June 30, 2012 by \$107,111,903. Table 1 on page 5 compares the calculation of net assets for the last three years. Net assets decreased by \$317,631, largely due to an increase in long-term debt. The changes in net assets are detailed in Table 2 on page 6.

Long-Term Debt

The Authority owes a total of \$1,475,000 plus accrued interest on the \$10,000,000 that was borrowed under a contract entered into on May 2, 2006 for the issuance of Excess Revenue Certificates of Indebtedness. The Authority owes a total of \$4,000,000 that was borrowed under a contract entered into on October 27, 2011 for the issuance of Excess Revenue Certificates of Indebtedness. The total accrued interest on all debt as of June 30, 2012 is \$29,686.

Budgetary Highlights

Property tax collections of \$7,756,404 from the 5.16 mill tax levied in 2011 exceeded the \$7,677,254 that was budgeted by \$79,150. There are four years remaining on the ten-year authorization to levy the property tax from January 2005. On March 24, 2012 an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning in 2016. The property tax levy approved for the year ending December 31, 2012 is 5.030 mills.

Rent income collected amounted to \$1,613,088, which is \$150,833 more than was budgeted for the year ending June 30, 2012.

Table 1
Chennault International Airport Authority
Net Assets

	June 30, 2012	June 30, 2011	June 30, 2010
Assets other than property, plant and equipment:			
Cash and certificates of deposit	\$ 8,964,319	\$ 8,200,982	\$ 7,348,295
Receivables	169,161	1,210,038	4,261,985
Prepaid Insurance	225,315	239,474	254,387
Total	<u>9,358,795</u>	<u>9,650,494</u>	<u>11,864,667</u>
Property, plant and equipment:			
Hangars	67,283,737	65,948,048	64,899,258
Offices, warehouses and shops	30,617,205	27,309,196	26,265,444
Airport operations buildings	4,894,168	4,894,169	4,894,642
Airfield pavement improvements	4,216,982	3,796,590	3,796,590
Roads and parking lots	3,121,791	3,121,791	3,067,823
Utility systems	6,598,689	6,411,503	5,985,004
Waste treatment plant	1,880,786	1,880,786	1,880,786
Firewater plant and lines	2,304,046	2,304,046	2,087,881
Fences and gates	2,622,567	2,622,567	2,537,683
Other improvements	8,370,643	7,833,982	7,600,473
Equipment	11,788,607	11,259,440	6,916,130
Subtotal	<u>143,699,221</u>	<u>137,382,118</u>	<u>129,931,714</u>
Less accumulated depreciation	<u>(46,658,157)</u>	<u>(42,395,842)</u>	<u>(38,345,253)</u>
Capital Assets, net of depreciation	<u>97,041,064</u>	<u>94,986,276</u>	<u>91,586,461</u>
Land	2,539,369	2,539,369	2,539,369
Construction in progress	<u>4,357,643</u>	<u>4,351,177</u>	<u>2,568,419</u>
Total property, plant and equipment	<u>103,938,076</u>	<u>101,876,822</u>	<u>96,694,250</u>
Total Assets	<u>113,296,871</u>	<u>111,527,316</u>	<u>108,558,917</u>
Liabilities:			
Other liabilities	709,968	1,222,782	1,351,524
Bonds payable	<u>5,475,000</u>	<u>2,875,000</u>	<u>4,215,000</u>
Total liabilities	<u>6,184,968</u>	<u>4,097,782</u>	<u>5,566,524</u>
Net Assets:			
Invested in capital assets	97,986,161	98,038,762	92,449,637
Restricted for capital projects	2,426,616	328,935	1,549,918
Unrestricted	<u>6,699,126</u>	<u>9,061,837</u>	<u>8,992,838</u>
Total Net Assets	<u>\$ 107,111,903</u>	<u>\$ 107,429,534</u>	<u>\$ 102,992,393</u>

Note - The net assets listed above do not include either the value of the 1,200 acres of land leased to the Authority for ninety-nine years by the four entities that created Chennault in June 1986 or the value of the approximately 14 million square feet of pavement that remains of the runway, taxiway, and aircraft parking aprons of the former Chennault Air Force Base.

Table 2
Chennault International Airport Authority
Changes in Net Assets

	June 30, 2012	June 30, 2011	June 30, 2010
Revenues:			
Property tax	\$ 7,756,404	\$ 7,552,733	\$ 7,225,847
Rent income	1,613,088	1,358,600	1,167,035
Miscellaneous income	293,708	181,930	137,721
Interest income	36,434	34,336	34,519
Grants	627,426	4,484,280	5,692,574
Subtotal	<u>10,327,060</u>	<u>13,611,879</u>	<u>14,257,696</u>
Other Financing Sources:			
Impairment gain	128,555	1,415,563	997,229
Total revenues and other financing sources	<u>10,455,615</u>	<u>15,027,442</u>	<u>15,254,925</u>
Expenses:			
Operate, maintain and repair airport and facilities	5,640,801	5,735,558	5,774,220
Intergovernmental	651,557	592,801	585,672
Interest paid on debt	187,137	176,115	225,033
Depreciation	4,293,751	4,085,827	3,876,195
Total	<u>10,773,246</u>	<u>10,590,301</u>	<u>10,461,120</u>
Increase in Net Assets	(317,631)	4,437,141	4,793,805
Beginning Net Assets	107,429,534	102,992,393	98,198,588
Ending Net Assets	<u>\$ 107,111,903</u>	<u>\$ 107,429,534</u>	<u>\$ 102,992,393</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2012

	Governmental Fund Types	
	Special Revenue	Capital Projects
ASSETS		
Cash	\$ 2,321,702	\$ 127,820
Certificates of Deposit	4,239,797	2,275,000
Receivables:		
Taxes	13,776	-
Interest	388	73
Federal/State Grants	74,668	39,765
Refundable Insurance Assessment	11,987	-
Other	28,504	-
Land	-	-
Other Capital Assets, net of accumulated depreciation	-	-
Deposits	-	-
Prepaid insurance	225,315	-
Due from other funds	2,211	-
Total assets	\$ 6,918,348	\$ 2,442,658
LIABILITIES		
Liabilities:		
Accounts payable	\$ 187,325	\$ 16,042
Accrued expenses	-	-
Contracts payable	18,936	457,979
Due to other funds	-	2,211
Deferred revenues	-	-
Certificates of indebtedness		
Due within one year	-	-
Due after one year	-	-
liabilities	206,261	476,232
Fund Balances/ Net Assets		
Fund Balances		
Nonspendable: prepaid insurance	225,315	-
Committed for construction and repairs	-	1,966,426
Assigned to:		
Debt service	960,000	-
Airport facility	5,526,772	-
	6,712,087	1,966,426
Total liabilities and fund balance	\$ 6,918,348	\$ 2,442,658
Net Assets		
Invested in capital assets, net of related debt		
Restricted for construction and repairs		
Unrestricted		
Total net assets		

Total Government Funds	Adjustments	Statement of Net Assets
\$ 2,449,522	\$ -	\$ 2,449,522
6,514,797		6,514,797
		-
13,776		13,776
461		461
114,433		114,433
11,987		11,987
28,504		28,504
-	2,539,369	2,539,369
-	101,398,707	101,398,707
-		-
225,315		225,315
2,211	(2,211)	-
<u>\$ 9,361,006</u>	<u>\$ 103,935,865</u>	<u>\$ 113,296,871</u>
\$ 203,367	\$ -	\$ 203,367
-	29,686	29,686
476,915	-	476,915
2,211	(2,211)	-
-		-
-	960,000	960,000
-	4,515,000	4,515,000
<u>682,493</u>	<u>5,502,475</u>	<u>6,184,968</u>
225,315	(225,315)	
1,966,426	(1,966,426)	
960,000	(960,000)	
<u>5,526,772</u>	<u>(5,526,772)</u>	
<u>8,678,513</u>	<u>(8,678,513)</u>	
<u>\$ 9,361,006</u>	<u>(3,176,038)</u>	
	97,986,161	97,986,161
	2,426,616	2,426,616
	6,699,126	6,699,126
	<u>\$ 107,111,903</u>	<u>\$ 107,111,903</u>

See Accompanying Notes to Financial Statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET ASSETS
June 30, 2012

Total Governmental Fund Balances	\$	8,678,513
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land		2,539,369
Buildings		102,795,110
Airfield Pavement Improvement		4,216,982
Roads and Parking		3,121,791
Utility and Fire Protection Systems		8,902,735
Waste Treatment Plant		1,880,786
Fences and Gates		2,622,567
Other Improvements		8,370,643
Equipment		11,788,607
Construction in progress		4,357,643
Accumulated depreciation		<u>(46,658,157)</u>
Other capital assets, net of accumulated depreciation		101,398,707

Interfund receivables are eliminated in reporting total assets	(2,211)	
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Total asset adjustments		103,935,865
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Certificates of indebtedness		5,475,000
Accrued interest		29,686

Interfund payables are eliminated in reporting total assets	<u>(2,211)</u>	
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Total liability adjustments		<u>5,502,475</u>
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Net assets of governmental activities	\$	<u>107,111,903</u>
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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2012

	Special Revenue	Governmental Funds Capital Projects
Revenues:		
Taxes	\$ 7,756,404	\$ -
Rents	1,613,088	-
Interest	35,089	1,345
Miscellaneous	293,708	-
Grant proceeds	93,091	534,335
Total revenues	<u>9,791,380</u>	<u>535,680</u>
Expenditures:		
Current operating:		
Personal services	1,748,876	-
Travel	44,764	-
Contractual services	2,639,064	-
Intergovernmental	651,557	-
Supplies and materials	243,119	-
Repairs and maintenance	1,079,374	-
Depreciation	-	-
Capital outlays	68,894	6,171,715
Debt service:		
Interest and fiscal charges	1,577,680	-
Total expenditures	<u>8,053,328</u>	<u>6,171,715</u>
Excess (deficiency) of revenues over expenditures	<u>1,738,052</u>	<u>(5,636,035)</u>
Other financing sources (uses):		
FEMA proceeds	128,555	-
Bond Issue	4,000,000	-
Impairment gain	-	-
Operating transfers in	-	8,500,000
Operating transfers (out)	(8,500,000)	-
Total other financing sources (uses)	<u>(4,371,445)</u>	<u>8,500,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(2,633,393)</u>	<u>2,863,965</u>
Fund balance/net assets		
Beginning of year	<u>9,345,480</u>	<u>(897,539)</u>
End of year	<u>\$ 6,712,087</u>	<u>\$ 1,966,426</u>

See Accompanying Notes to Financial Statements

Total Government Funds	Adjustments	Statement of Activities
\$ 7,756,404	\$ -	\$ 7,756,404
1,613,088	-	1,613,088
36,434	-	36,434
293,708	-	293,708
627,426	-	627,426
<u>10,327,060</u>	<u>-</u>	<u>10,327,060</u>
1,748,876	-	1,748,876
44,764	-	44,764
2,639,064	131,901	2,770,965
651,557	-	651,557
243,119	46,895	290,014
1,079,374	(293,192)	786,182
-	4,293,751	4,293,751
6,240,609	(6,240,609)	-
<u>1,577,680</u>	<u>(1,390,543)</u>	<u>187,137</u>
<u>14,225,043</u>	<u>(3,451,797)</u>	<u>10,773,246</u>
<u>(3,897,983)</u>	<u>3,451,797</u>	<u>(446,186)</u>
128,555	(128,555)	-
4,000,000	(4,000,000)	-
-	128,555	128,555
8,500,000	-	8,500,000
(8,500,000)	-	(8,500,000)
<u>4,128,555</u>	<u>(4,000,000)</u>	<u>128,555</u>
230,572	(548,203)	(317,631)
<u>8,447,941</u>	<u>98,981,593</u>	<u>107,429,534</u>
<u>\$ 8,678,513</u>	<u>\$ 98,433,390</u>	<u>\$ 107,111,903</u>

See Accompanying Notes to Financial Statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
RECONCILIATION OF CHANGE IN GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
June 30, 2012

Net change in fund balances - total governmental funds \$ 230,572
Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays and repairs as expenditures. However, in the statement of activities, assets with an individual cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. For the current period, these amounts are:

Capital outlay	6,240,609	
Contractual services	(131,901)	
Repairs	293,192	
Reclassification from capital outlay to supplies and materials	(46,895)	
Depreciation expense	<u>(4,293,751)</u>	
Excess of capital outlay over depreciation expense		2,061,254

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consisted of:

Principal retirement - \$10M debt, Series 2006	1,400,000	
Net increase in accrued interest payable	<u>(9,457)</u>	
Net decrease		1,390,543

FEMA proceeds are reported as other financing sources in governmental funds, but in the statement of net activities offset the cost of the applicable assets and is reported as an impairment gain(loss). For the current period, these amounts are:

FEMA proceeds	(128,555)	
Impairment gain	<u>128,555</u>	
		-

Governmental funds report Bond issue as other financing sources. However, in the statement of net assets, bond issue is reported as a long-term liability. For the current period, these amounts are:

Bond issue		<u>(4,000,000)</u>
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Change in net assets of governmental funds		<u>\$ (317,631)</u>
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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. **Summary of Significant Accounting Policies**

The Chennault International Airport Authority (the Authority) is a political subdivision of the State of Louisiana and was created by an Act of the Louisiana Legislature. By virtue of the act and the joint initiative of Calcasieu Parish, City of Lake Charles, Calcasieu Parish School Board and the State Board of Elementary Education, a special district was created through an intergovernmental contract and local services agreement. The Authority is governed by a board of seven commissioners appointed as follows: two members appointed by Calcasieu Parish, two members appointed by the City of Lake Charles, two members appointed by the Calcasieu Parish School Board. The six members so appointed shall appoint by majority vote a seventh member.

The name of the Authority was changed by Act 458 of the Louisiana Legislature, 1997 Regular Session, from the Chennault Industrial Airpark Authority to the Chennault International Airport Authority.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Authority implemented the new reporting model standards in fiscal year ended June 30, 2004.

Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, it was determined that no other agency should be included in this reporting entity.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad funds categories as follows:

GOVERNMENTAL FUNDS

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the authority.

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition, renovation, or construction of major capital facilities.

Fund Balances – Governmental Funds

Beginning with fiscal year ended June 30, 2012, the Authority implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be used only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e., Board of Commissioners). To be reported

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint.

Assigned – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an individual or body to which the Board delegates the authority.

Unassigned – amounts that are available for any purpose.

Beginning fund balances for the Authority's governmental funds have been restated to reflect the above categories.

The Authority establishes (and modifies or rescinds) fund balance commitments by passage of board resolution or formal approval. Assigned fund balance is established by the Authority through the adoption or amendment of the budget as intended for specific purposes.

Basic Financial Statements – Government-Wide Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's funds). In the government-wide Statement of Net Assets, governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government- wide Statement of Activities reports revenues and expenses on a full accrual, economic resource basis. The Statement of Activities recognizes depreciation expense.

This government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's assets resulting from current year's activities.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

All governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when available and measurable. Revenues that are accrued include rent, property taxes, and interest. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Cash and Certificates of Deposit

Cash and certificates of deposit are stated at cost which approximates market. Interest is accrued as earned in the period it becomes measurable and available.

Accrued Unpaid Vacation, Sick Leave and Other Employee Benefit Amounts

Vacation, compensation time, and sick leave are recorded as expenditures of the period in which they are paid. In the event of separation of employment, the employee will be paid for any unused vacation time accrued. Employees are able to accrue unused sick leave without limitation. However, there will be no payment of unused sick leave upon separation of employment. At June 30, 2012 unrecorded Special Revenue Fund liabilities included approximately \$102,926 vacation pay and \$2,814 compensation time.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgements. Actual results could differ from these estimates.

2. **Cash and Certificates of Deposit**

The Authority maintains a fiscal agent agreement. All cash and certificates of deposit are entirely insured or collateralized. Louisiana state statute requires that the Authority's deposits be secured by the depository banks and savings and loan associations pledging government securities as collateral. The amount of the security shall at all time be equal to

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

one hundred percent of the amount on deposit except that portion of deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

Cash and investments of the Authority are classified into three categories to give an indication of the level of risk assumed at year-end:

Category 1: includes investments insured or collateralized with securities held by the Authority or its agent in the name of the Authority.

Category 2: includes uninsured investments which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: includes uninsured and unregistered investments with the securities held by the financial institution, or by its trust department or agent, but not in the name of the Authority.

Cash and certificates of deposit as of June 30, 2012 were all classified as category 1. The balance as of June 30, 2012 consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash	<u>\$ 2,712,212</u>	<u>\$ 2,449,522</u>
Certificates of deposit	<u>\$6,514,797</u>	<u>\$6,514,797</u>

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for costs for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 - 40 years
Machinery and equipment	10 - 30 years
Improvements	10 - 50 years
Other infrastructure	10 - 50 years

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

GASB 34 requires the Authority to report and depreciate new infrastructure assets effective beginning the year of implementation (June 30, 2004). The Authority voluntarily elected to retroactively report infrastructure assets and depreciation. Infrastructure assets include drainage, roads, runways, lighting, utilities, etc.

4. Joint Services Agreement

The Chennault International Airport Authority entered into Joint Services Agreements on April 4, 1995, with the West-Calcasieu Airport Managing Board and the DeQuincy Airport Authority. The purpose of the agreements is to cooperate on the construction, acquisition, and improvement of public aviation projects or improvements. The joint use of funds is intended to carry out the public purpose of encouraging and stimulating economic development throughout Calcasieu Parish.

Under the terms of the amended agreements, effective for years 2006 through 2015, the Authority agreed to annually grant or transfer \$200,000 to the West-Calcasieu Airport Authority Managing Board and \$100,000 to the DeQuincy Airport Authority. The transfers are scheduled to take place annually for the ten-year period.

5. Property Taxes

On January 15, 2005, an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning with the year 2006. On March 24, 2012, an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning 2016. For the year ended June 30, 2012, the Authority levied taxes of 5.16 mills on property with assessed valuation totaling \$1,507,165,524 the taxes were dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$7,776,974.

Property tax millage rates are normally adopted in May for the calendar year in which taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by February 29th are subject to property lien.

6. Excess Revenue Certificates of Indebtedness

On March 16, 2006 the Louisiana State Bond Commission granted approval to the Authority for the issuance, sale and delivery of Excess Revenue Certificates of Indebtedness (Facilities Enhancement Project), Series 2006. On May 2, 2006, an issue in the original principal amount of \$10,000,000 was sold to Capital One, National Association. The contract

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

provides for payments to reimburse the state for bonds issued to finance construction, improving and refurbishment of the existing facilities many of which were damaged by Hurricane Rita on September 24, 2005, as well as acquisition of other facilities necessary for the Authority's operations, and paying costs associated with issuance of the Certificates.

The certificates of indebtedness, dated May 2, 2006, provide that the Authority shall repay the paying agent semi-annual interest payments at a rate ranging from 4.06% to 4.29% and annual principal payments with the final payment due May 1, 2014. The Authority made an extra principal payment on May 1, 2009 of \$1,215,000 that was initially due on May 1, 2010.

On September 15, 2011 the Louisiana State Bond Commission granted approval to the Authority for the issuance, sale and delivery of Excess Revenue Certificates of Indebtedness (New Aviation Hangar Project), Series 2011. On October 27, 2011, an issue in the original principal amount of \$4,000,000 was sold to First Federal Bank of Louisiana. The contract provides for payments to reimburse the state for bonds issued to finance construction of a new aviation hangar and paying the costs of issuance of the Certificates.

The certificates of indebtedness, dated October 27, 2011, provide that the Authority shall repay the paying agent semi-annual interest payments at a rate of 2.79% and annual principal payments with the final payment due October 1, 2015.

The annual requirements to amortize the indebtedness outstanding as of June 30, 2012 is as follows:

<u>Year Ending June 30</u>	<u>Interest</u>	<u>Principal</u>
2013	98,208	960,000
2014	134,353	2,460,000
2015	43,175	1,015,000
2016	14,508	1,040,000
	<u>\$290,244</u>	<u>\$5,475,000</u>

7. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
Certificates of Indebtedness	<u>2,875,000</u>	<u>4,000,000</u>	<u>1,400,000</u>	<u>5,475,000</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

There are various limitations and restrictions contained in the various debt agreements. The Authority is in compliance with all significant limitations and restrictions.

8. A summary of capital assets for the year ended June 30, 2012 is as follows:

	June 30, 2011	Additions	Retirements	June 30, 2012
Construction in progress	4,351,177	6,464,908	6,458,442	4,357,643
Land	2,539,369	-	-	2,539,369
Buildings	98,151,413	4,643,697	-	102,795,110
Improvement other than building	27,971,265	1,144,239	-	29,115,504
Equipment	<u>11,259,440</u>	<u>560,607</u>	<u>31,440</u>	<u>11,788,607</u>
	144,272,664	12,813,451	6,489,882	150,596,233
Accumulated depreciation	<u>(42,395,842)</u>	<u>(4,293,755)</u>	<u>(31,440)</u>	<u>(46,658,157)</u>
	<u>\$101,876,822</u>	<u>\$8,519,696</u>	<u>\$6,458,442</u>	<u>\$103,938,076</u>

During the fiscal year ended June 30, 2012, the Authority completed construction on several capital projects. Listed below is a summary of the completed projects.

	Prior Period Expenditures	Year Ended June 30, 2012	Total Project Expenditures
Rehabilitate Runway	\$ 185,422	\$ 40,120	\$ 225,542
Hangar C 2010 Upgrades	62,431	-	62,431
Hangar B Tail Door	160,013	-	160,013
Aeroframe Office Bldg	2,356,491	209,050	2,565,541
Hangar C Underwing	195,239	40,614	235,853
Aeroframe Shop Bldg	804,167	47,999	852,166
Flight Line Modular	-	44,440	44,440
Million Air Generator	2,409	39,340	41,749
Wild Life Hazard	20,347	48,279	68,626
Bldg 3002 Compressor	51,523	300,491	352,014
Firewater Pump Skid	7,598	471,618	479,216
North Side Drainage	-	536,661	536,661
Hangar E Compressor	-	64,488	64,488
Hangar D Floor Coating	-	334,557	334,557
Underground Air Lines	-	187,186	187,186
Taxiway Concrete Repairs	88,844	106,006	194,850
Other Projects	96	53,013	53,109
Total	<u>\$ 3,934,580</u>	<u>\$ 2,523,862</u>	<u>\$ 6,458,442</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

Construction in progress as of June 30, 2012, is composed of the following:

	<u>Expended to</u> <u>June 30, 2012</u>
Multi-Purpose Warehouse	2,839,329
New Bridge	60,753
Emergency Vehicle Access	38,520
CIAA Drainage Study	205,133
Taxiway A Widening	72,332
2 nd 110,000 Gallon Jetfuel	448,938
Hangar H	675,511
Other Projects	17,127
Total	<u>\$4,357,643</u>

9. Lease Revenue

The Authority leases its property to various commercial operations. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals as of June 30, 2012 on non-cancelable operating leases for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2013	\$1,738,560
June 30, 2014	\$1,647,260
June 30, 2015	\$1,151,360
June 30, 2016	\$294,780
June 30, 2017	\$160,180

10. Defined Benefit Plan

Plan Description:

The Authority contributes to the Louisiana State Employees' Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS). As a result of state legislation passed Chennault employees with 10 years of service credit on June 30, 2004 participate in the system.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

Employees are eligible for retirement if they have: a) thirty years or more of service, at any age; b) twenty-five years or more of service, at age fifty-five or thereafter; or c) ten years or more of service, at the age of sixty or thereafter.

Retirees shall receive a maximum retirement allowance equal to two and one-half percent of average compensation for every year of creditable service plus three hundred dollars. The retirement benefits provided shall not exceed one hundred percent of retiree's average compensation. The System also provides death and disability benefits. Benefits are established by Louisiana state statute.

The Authority's payroll for employees covered by the System for the year ended June 30, 2012 was \$240,169. The Authority's total payroll and taxable benefits was \$1,411,172.

Contribution requirements:

Covered employees are required by Louisiana state statute to contribute 7.5 percent of their salary to the plan. The Authority is required by the same statute to contribute 25.60 percent of eligible salaries. The contribution requirement for the year ended June 30, 2012, was \$79,496 (33.10% of current year covered payroll), which consisted of \$61,483 (25.60% of current year covered payroll) from the Authority and \$18,013 (7.5% of current year covered payroll) from employees.

Fund status and progress:

The "Pension Benefit Obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users access the funding status of the plan on a going-concern basis, assets progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of June 30, 2011; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 2011, for the System as a whole was approximately \$15.221 billion.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

The system's net assets available for benefits on that date (valued at market) were approximately \$8.763 billion, leaving an unfunded pension benefit obligation of approximately \$6.457 billion.

Ten year historical trend information is presented in a separately issued PERS report which provides information about progress made in accumulating sufficient assets to pay benefits when due.

11. Deferred Compensation Plan

The Authority set up a deferred compensation plan effective as July 1, 2004 that would be administered through the State of Louisiana Deferred Compensation Plan. Employees who are not contributing to the Louisiana State Employees' Retirement System plan are eligible to participate in the Authority's deferred compensation plan.

Contributions are based on an employee's wages and taxable benefits. The contribution rate was set at seven percent. The contribution rate for employees hired after July 1, 1994 was modified from seven percent to eight and one half percent. The contribution rate was increased on July 1, 2011 to include an additional amount with an employee contribution. The Authority matches up to two percent with employee contributing four percent.

The amounts contributed to the deferred compensation plan by the Authority are included both in the amount of wages reported for the employee and in the amount of deferred compensation contributed by the employee. Funds contributed by the Authority to the plan are held in separate accounts set up for the individual employees within the State of Louisiana Deferred Compensation Plan. The Authority contributed \$97,325 for employees covered by the deferred compensation plan for the year ended June 30, 2012.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(continued)

12. Contingencies and commitments

Commitments under maintenance and service contracts provide for minimum annual payments as follows:

<u>Year ending June 30</u>	<u>Fire Protection</u>	<u>Runway Equipment</u>
2013	1,115,145	28,500
2014	1,132,023	28,500
2015	-	19,000

Pending claims

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. The Authority does not anticipate any losses with respect to such pending claims and litigation as of June 30, 2012.

SUPPLEMENTAL INFORMATION

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 7,450,000	\$ 7,677,254	\$ 7,756,404	\$ 79,150
Rents	1,370,060	1,462,255	1,613,088	150,833
Interest	30,000	25,000	35,088	10,088
Miscellaneous	150,500	150,500	293,709	143,209
Grant proceeds	-	25,749	93,091	67,342
Total revenues	<u>9,000,560</u>	<u>9,340,758</u>	<u>9,791,380</u>	<u>450,622</u>
Expenditures:				
Salaries	1,450,173	1,450,173	1,371,267	78,906
Employee benefits and taxes	410,953	410,953	377,609	33,344
Travel	48,000	48,000	44,764	3,236
Rentals	389,600	389,600	301,499	88,101
Insurance	476,100	476,100	455,402	20,698
Telephone and utilities	179,750	179,750	169,730	10,020
Maintenance	84,700	84,700	53,702	30,998
Control tower	31,000	31,000	30,785	215
Fire protection	1,095,731	1,095,731	1,095,731	-
Advertising	65,000	125,000	188,049	(63,049)
Architectural and engineering	15,000	35,000	164,109	(129,109)
Miscellaneous Contractual	193,900	238,400	180,057	58,343
Intergovernmental	629,640	674,640	651,557	23,083
Business development	23,000	23,000	12,397	10,603
Maintenance supplies	70,000	70,000	59,283	10,717
Office Expense	20,000	20,000	19,524	476
Vehicles-fuel and repairs	134,600	134,600	151,915	(17,315)
Major repairs	1,700,000	1,700,000	1,079,374	620,626
Capital outlays	226,500	176,500	68,894	107,606
Debt service	<u>1,523,657</u>	<u>1,576,680</u>	<u>1,577,680</u>	<u>(1,000)</u>
Total expenditures	<u>8,767,304</u>	<u>8,939,827</u>	<u>8,053,328</u>	<u>886,499</u>
Excess of revenues over expenditures	233,256	400,931	1,738,052	1,337,121

(continued on next page)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Fiscal Year Ended June 30, 2012
(continued)

	Original	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
		Final	Actual	
Excess of revenues over expenditures	233,256	400,931	1,738,052	1,337,121
Other financing sources (uses):				
Insurance proceeds	-	-	-	-
FEMA proceeds	-	-	128,555	128,555
Certificates of indebtedness	-	4,000,000	4,000,000	-
Operating transfers in	-	-	-	-
Operating transfers out	(4,500,000)	(8,500,000)	(8,500,000)	-
Total Other Sources (Uses)	(4,500,000)	(4,500,000)	(4,371,445)	128,555
Excess (deficiency) of revenues over expenditures and other uses	(4,266,744)	(4,099,069)	(2,633,393)	1,465,676
Fund balance at beginning of year	8,530,713	9,345,480	9,345,480	-
Fund balance at end of year	\$ 4,263,969	\$ 5,246,411	\$ 6,712,087	\$ 1,465,676

Chennault International Airport Authority
Note to Required Supplementary Information-Budgetary Reporting
For the year ended June 30, 2012

The Budgetary Comparison Schedule-Budget to Actual presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers all Authority activities. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Board of Commissioners.

Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds. The capital budget ordinances which authorize the Capital Projects Fund present cumulative as opposed to annual budget amounts.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

SCHEDULE OF PER DIEM PAID COMMISSIONERS

June 30, 2012

The schedule of per diem paid to commissioners was prepared in compliance with house Concurrent Resolutions No. 54 of the 1979 Session of the Louisiana Legislature.

As provided by Louisiana Revised Statute 33:4710.6, member of the commission serve without compensation.

<u>Commissioner</u>	<u>Meetings</u>	<u>Compensation</u>
James G. Gobert	14	-
Larry Avery	12	-
Kenneth W. Nabours	14	-
Charles K. Dalglish	12	-
Jane Dufrene	14	-
Russell T. Tritico, Sr.	12	-
Jonald J. Walker, III	9	-

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Chennault International Airport Authority as of and for the year then ended June 30, 2012 and have issued our report dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Chennault International Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Chennault International Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chennault International Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chennault International Airport Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chennault International Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stulb & Associates". The signature is written in dark ink and is positioned above the date.

November 20, 2012

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND RESPONSES

Section I – Summary of Auditors' Results

June 30, 2012

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency identified? ☐ yes ☒ no
- Noncompliance required to be reported in
accordance with Governmental Audit Standards? ☐ yes ☒ no

Section II – Financial Statement Findings

Current Audit

There were no findings or questioned costs

Prior Audit

There were no findings or questioned costs